

Honolulu, Hawaii

APR 29 , 2022

RE: H.B. No. 1982  
H.D. 2  
S.D. 2  
C.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirty-First State Legislature  
Regular Session of 2022  
State of Hawaii

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-First State Legislature  
Regular Session of 2022  
State of Hawaii

Sirs:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 1982, H.D. 2, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXES,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to:

- (1) Establish a general excise tax withholding requirement for persons making payment to a loan-out company and claiming the motion picture, digital media, and film production tax credit (film production tax credit) to withhold and remit a portion of all payments made to the loan-out company;
- (2) Reduce the minimum amount of qualified production costs necessary to claim the film production tax credit;



- (3) Require a production to submit an application processing fee to the Department of Taxation in order to qualify for the film production tax credit;
- (4) Repeal the requirement for qualified productions to submit a verification review by a qualified Certified Public Accountant when applying for the film production tax credit;
- (5) Require the Department of Business, Economic Development, and Tourism (DBEDT) to issue a letter to a taxpayer claiming the film production tax credit specifying the qualified production costs and tax credit amount qualified for no later than ten months after the receipt of the taxpayer's statement;
- (6) Extend the period during which excess film production tax credits may be claimed from December 31, 2025, to December 31, 2032;
- (7) Require qualified productions that make payments to a loan-out company and claim the film production tax credit to withhold an amount equal to one-half of one percent of qualified production costs to the credit of the general excise tax account of the loan-out company;
- (8) Amend the allowable uses of the Tax Administration Special Fund; and
- (9) Authorize the Department of Taxation to establish four full-time equivalent Tax Auditor positions.

Your Committee on Conference has amended this measure by:

- (1) Clarifying that the amount to be withheld and remitted is equal to the highest rate of general excise tax, plus any applicable county surcharge for all payments made to a loan-out company for services performed in the State;
- (2) Clarifying when every person subject to a general excise tax withholding requirement established by this measure is required to make and file a return;
- (3) Increasing the claimable amounts of the film production tax credit;



- (4) Expanding the requirements to qualify for the film production tax credit;
- (5) Changing when DBEDT is required to issue a letter specifying the qualified production costs and tax credit amount qualified for from no later than ten months to no later than seven months after receipt of the taxpayer's statement;
- (6) Changing the application processing fee that would have been submitted to the Department of Taxation and deposited into the Tax Administration Special Fund to a fee equal to 0.2 percent of the film production tax credit claimed, to be submitted to DBEDT and deposited into the Hawaii Film and Creative Industries Development Special Fund;
- (7) Increasing the cap of the total film production tax credits claimable per qualified production;
- (8) Deleting redundant and conflicting language that would have required every person making payment to a loan-out company to withhold an amount equal to one-half of one percent of qualified production costs for services performed in the State, the amount of which would have been remitted to the credit of the general excise tax account of the loan-out company;
- (9) Amending the definition of "qualified production costs";
- (10) Deleting language that would have authorized the Tax Administration Special Fund to be used to process qualified production applications for the film production tax credit;
- (11) Changing the number of Tax Auditor positions the Department of Taxation is authorized to establish from four to two, and inserting an appropriation for these positions;
- (12) Requiring DBEDT to establish one full-time equivalent permanent Program Specialist position, and inserting an appropriation for the position;
- (13) Changing the effective date to July 1, 2022; provided that the provisions of this measure applicable to the film



production tax credit shall take effect on January 1, 2023; and

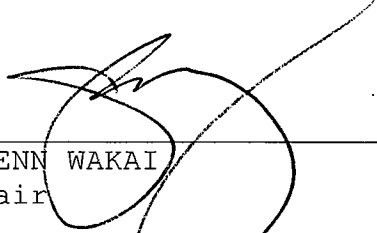
- (14) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.


As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 1982, H.D. 2, S.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 1982, H.D. 2, S.D. 2, C.D. 1.


Respectfully submitted on behalf of the managers:

ON THE PART OF THE SENATE

ON THE PART OF THE HOUSE

  
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GLENN WAKAI  
Chair

  
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SEAN QUINLAN  
Co-Chair

  
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GILBERT S.C. KEITH-AGARAN  
Co-Chair

  
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DANIEL HOLT  
Co-Chair



